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March 18, 2019

The Honorable Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, SC 29210
North Myrtle Beach, SC 29582

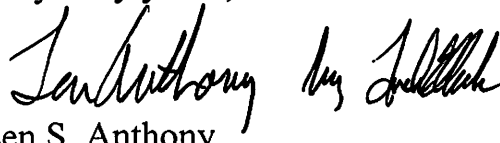
Re: Docket No. 2018-319-E

Dear Mrs. Boyd:

Duke Energy Carolinas ("DEC") has discussed with the State Conference of the National Association for the Advancement of Colored People, South Carolina Coastal Conservation League, and Upstate Forever the areas of DEC witness Hager's rebuttal testimony that address portions of the State Conference of the National Association for the Advancement of Colored People, South Carolina Coastal Conservation League, and Upstate Forever witness Jonathan Wallach's direct testimony. As a result of these discussions DEC understands that: 1) while witness Wallach believes the minimum system costs DEC classified as "Customer costs" are properly classified as "demand-related" in a cost of service study (COSS), he does not support recovering them through a demand charge as stated by witness Hager on page 12 lines 1-5 of her rebuttal testimony; 2) on page 7 lines 18-21 of witness Hager's rebuttal testimony she cites *Principles of Public Utility Rates* to address what she believed to be arguments by witness Wallach regarding cost allocations. DEC now understands that witness Wallach was relying upon *Principles of Public Utility Rates* to support his position regarding rate design not cost allocation; and 3) on page 15 witness Hager rebuts what she believed to be witness Wallach's assertion that AMI costs and the cost of uncollectibles should not be allocated as customer costs. Witness Hager now understands that witness Wallach was not disputing the allocation of these costs as customer costs in the COSS but instead was addressing his concern with recovering these allocated costs

via the residential Basic Facilities Charge which is a rate design issue in his opinion.

Very truly yours,


Len S. Anthony

cc: Parties of Record (via email)
Heather Shirley Smith, Deputy General Counsel (via email)